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SUBJECT: KIMMITT/ZELIKOW VISIT TO KUWAIT: GOK LEADERSHIP SUPPORTS IRAQ COMPACT; BLAMES HIZBALLAH FOR LEBANON CRISIS

REF: A. WHITE HOUSE 211527Z JUL 06

1B. KUWAIT 2898

Classified By: CDA Matt Tueller for reasons 1.4(b) and (d)

11. (S/NF) Summary: Treasury Deputy Secretary Kimmitt and State Department Counselor Zelikow, during a July 22 visit, briefed Kuwaiti Amir Shaykh Sabah, Deputy PM and FM Shaykh Dr. Mohammed, Finance Minister Bader Al-Humaidhi, Fawzi Al-Hunaif of the Kuwait Fund, and Director General of the Arab Fund Abdul Latif Al-Hamad (septel) on the Iraq Compact and sought GOK support for Iraq's economic reform. Kuwaiti officials welcomed the Compact commenting that clear guidelines and expectations would facilitate international support to Iraq and speed its economic recovery. As the meeting closed, the Amir quietly added, "the money will not be a problem. We are concerned about stability." The Amir also spoke at length on the need for Iraqis to assume more responsibility for security and acknowledge their need for American help. On Lebanon, GOK officials blamed Hizballah, with support from Iran and to a lesser extent Syria, for the current crisis and expressed hoped that the Secretary's visit to the region would lead to an immediate solution. The Amir informed the delegation of Kuwaiti humanitarian assistance to the Lebanese people and called for opening more corridors for the speedy delivery of relief supplies. FM Shaykh Dr. Mohammed, in a separate meeting, was less optimistic about immediate prospects for resolving the crisis. End Summary.

12. (C/NF) Deputy Secretary Kimmitt opened his hour-long July 22 meeting with Amir Shaykh Sabah Al-Ahmed Al-Jaber Al-Sabah by offering the President's greetings and informing the Amir how much the President looked forward to his September visit. DepSec Kimmitt told the Amir he last visited Kuwait in 1991 following the Iraqi invasion and occupation and was pleased to see that since that time, peace and prosperity have reigned in Kuwait. He regretted that other parts of the region were in crisis and welcomed Kuwait's interest in and commitment to reversing the situation. He restated U.S. engagement in the region and advised the Amir that the Secretary, accompanied by Counselor Zelikow, would travel to the region on July 23 to address the Israeli-Lebanese conflict.

Iraq Compact Key to Economic Reform and Stability

13. (S/NF) Turning to a more immediate concern for Kuwait, DepSec Kimmitt stressed the importance of international support to help Iraq complete its transition to a stable, peaceful country. Commenting on his recent visit to Baghdad,

he explained that Iraqi Prime Minister Maliki was focusing on three initiatives to help turn Iraq around: security, national reconciliation, and the Iraq Compact for economic reform. Iraq will identify benchmarks for its economic performance and seek international support, under UN leadership, to help it meet its targets. He said that Maliki would travel to the UK, the U.S., and the UN in the coming week to launch the Compact, and technical work had begun on the Compact with a goal to sign the final Compact in the fall. DepSec Kimmitt expressed appreciation for GOK support for Iraq's reform, said the U.S. looked forward to working with Kuwait on this and other initiatives, and delivered a copy of a POTUS letter to that effect (ref A).

GOK Welcomes Compact, Notes Previous Frustration on Aid

¶4. (C/NF) Shaykh Sabah responded that despite what the former Iraqi Government did to Kuwait, the GOK has always considered the Iraqi people victims and felt an obligation to "liberate" them. He reviewed Kuwaiti assistance to Iraq, citing a \$60 million grant for school and hospital assistance, and \$500 million in reconstruction loans at an interest rate of 1.5 percent. Complaining that the GOI has not yet spent any of the money, he asserted Iraq needed stability and security not more aid. He further claimed militias were selling oil and said Iraq had adequate natural resources -- oil, gas, water, arable land -- but needed to better manage them.

¶5. (S/NF) Following the meeting with the Amir, DepSec Kimmitt accompanied by Counselor Zelikow and CDA, had a thirty-minute side meeting with Foreign Minister Shaykh Dr. Mohammed Al-Sabah Al-Salem Al-Sabah. Kimmitt briefed the FM

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on the timeline for the Iraq Compact and on the work already done by the GOI and others to establish the commitments the Iraqis would make in order to receive international support. Kimmitt stressed the importance of having a strong demonstration of support from the Gulf Arab countries. The FM said that this was exactly the way he had advised GOI DPM Barham Saleh to proceed and he was encouraged to hear that the Compact would constitute a binding agreement to force the GOI to make the tough decisions that needed to be made. The GOK had grown frustrated at competing and conflicting requests for assistance from a parade of Iraqi ministers and individuals with unclear motives and agendas. Committing the GOI to a reform program would be an important step forward.

¶6. (S/NF) DepSec Kimmitt thanked the Minister for Kuwait's willingness to send a representative to the cancelled Iraq Compact steering group meeting (the GOK had been prepared to send Ambassador-designate Gen (ret) Ali Mu'min and Dr. Nabil Jafer Abdul Rahim of the Kuwait Fund for Arab Economic Development). He asked if the FM had any insights into Saudi reluctance to accept the Iraqi invitation. Shaykh Dr. Mohammed said that Iraqi insistence on holding the meeting in Baghdad had not gone down well with the SAG. He confessed he himself had doubts about the wisdom of the Baghdad venue and asked if it would not be better to hold the steering group meeting on the sidelines of UNGA, or in some other more accessible location. DepSec Kimmitt said the Baghdad location was an Iraqi decision and that it sent a powerful signal of international confidence in the new government. Counselor Zelikow noted that the USG had been prepared to provide full transportation and security support to delegations in order to support the GOI desire to hold the meeting in Baghdad. Shaykh Dr. Mohammed said that you would get a certain level of representation in Baghdad, but not necessarily senior-level.

¶7. (C/NF) In an earlier meeting with Finance Minister Bader Al-Humaidhi and Kuwait Fund Director of Operations Fawzi Al-Hunaif, DepSec Kimmitt and Counselor Zelikow reviewed in

greater detail the concept for the Iraq Compact, laid out a timeline for critical steps, and encouraged the active participation of the GOK as a member of the core group. DepSec Kimmitt expressed confidence in the Iraqi team led by DPM Saleh and said the Iraqis were "off to a strong start" on their macroeconomic fundamentals, establishing stand-by agreements with the IMF, building sufficient foreign reserves, establishing control of government finances, stabilizing the dinar, and beginning to address the problems of corruption and inflation.

¶ 8. (C/NF) FinMin Al-Humaidhi's initial concerns were related to security. He said that although the GOK had all the requisite technical expertise and financial resources to support development efforts, he did not see how it was possible to implement projects in Iraq given the present lack of security. DepSec Kimmitt responded that within the International Zone, the security environment was difficult but acceptable and that the UN had successfully implemented a number of projects outside the IZ. Like the FM, Al-Humaidhi complained that with each successive change of Government in Iraq, GOI priorities for reconstruction changed to reflect the particular sectarian or tribal interests of those in key posts and that the GOK had yet to receive any official correspondence from the GOI on specific aid projects. DepSec Kimmitt and Counselor Zelikow explained that the very purpose of creating the Compact was to establish a strategic list of priorities and detailed plans that the GOI would be compelled to adhere to by the international community. DepSec Kimmitt also explained that the first order of business would be to create an effective and equitable structure for the oil sector to be embodied in an oil/gas law.

No Movement on Debt but Supportive of Reconstruction

¶ 9. (C/NF) When asked by DepSec Kimmitt if the GOK needed any assistance on the issue of Iraqi debt, the Finance Minister tersely responded that he had no need for further technical information or analysis. He said all matters regarding Iraqi debt to Kuwait were well documented and available in the public domain. When asked if he had any deeper political concerns, the Minister responded, "Unfortunately, things are moving very slowly in Iraq." He said that Kuwait had a strong interest in a secure, stable, and economically viable Iraq, but reiterated his concerns over the dominance of

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sectarian interests. The Minister emphasized that the GOK does not discriminate among sects in its approach to aid, citing Kuwaiti support to Shi'a communities following violent incidents in Kerbala and Najaf. The FinMin concluded that Regional Institutions should also play a lead role in reconstruction, referring to the Arab Fund and the Inter-Arab Investment Guarantee Corporation, both resident in Kuwait.

Amir on U.S. Military: Pull Back, But Don't Pull Out

¶ 10. (S/NF) The Amir also used his meeting with DepSec Kimmitt to propose giving the Iraqi Government more responsibility as one way of promoting stability. In his view, the U.S. has made some mistakes over the past three years -- the Saddam Hussein trial in which his defense team has "polished and prepared him for a new role," and the dissolution of the army, for example -- and is now mistakenly viewed as an occupation force and part of the problem. By backing off and allowing greater autonomy in the Baghdad area, as has been done in the north and the south, Iraqis would have to assume greater authority which would help to ferret out insurgent forces and quell Iraqi-on-Iraqi violence. He stressed the importance of developing the Iraqi army and police forces and urged the U.S. to continue to play a consultative role.

¶ 11. (S/NF) DepSec Kimmitt agreed that it was essential for

Iraqis to assume a greater leadership role and advised the Amir that the military had responded well to training and was steadily playing an enhanced role on security issues. Rear Admiral Moeller noted that training of Iraqi police forces also continued, but had been hampered by corruption, poor leadership, and a lack of accountability. Under new leadership in the Ministry of Interior, progress was expected. DepSec Kimmitt asserted that economic reform would help to improve the security situation and the Compact was part of this effort. It was important for the Iraqi Government to establish reform priorities, to pay for what it could, and to make clear to the international community where it needed help. Strict adherence to such a plan would help Iraq to progress using its abundant resources and the talent and energy of the Iraqi people. Success would also attract private sector investment. Responding to the Amir's suggestion that Iraqis should have to ask the U.S. to remain, so they would stop referring to U.S. troops as occupiers, DepSec Kimmitt and Counselor Zelikow said PM Maliki had made clear his desire for U.S. support. In fact, PM Maliki and other Iraqi officials tended to be more worried that the U.S. would withdraw its forces too soon.

Blame Hizballah and Iran, Not the Lebanese Government

¶12. (S/NF) Turning to Lebanon, the Amir said he had told Energy Secretary Bodman and Commerce Secretary Gutierrez that Lebanon's only problem was Hassan Nasrallah (ref B), who bore responsibility for the recent destruction of Lebanon. He accused Hizballah of only being concerned about Hizballah and, unlike Israel, would not seriously consider talks about releasing the kidnapped soldiers, amending the Lebanese-Israeli borders, or a European troop presence. He asserted the GOL should not be blamed for what Hizballah has done with the support of Iran and Syria. He expressed concern about Iran's role in Lebanon and said the future for Lebanon would be clearer after August 22 when Iran is expected to respond to the P5 1 incentive package. DepSec Kimmitt agreed with the Amir's views on Iranian involvement saying Iran does not want stability and security and it was incumbent on the international community to counter the GOI. He told the Amir the overriding goals for Lebanon were to resolve the current crisis, rebuild Lebanon, and put it on a path toward stability. The Amir seconded the need for an urgent solution to the crisis and hoped the Secretary's visit would be productive. Restating Kuwaiti concern for the Lebanese people, he informed the delegation that Kuwait was prepared to assist the GOL with infrastructure reconstruction and had also donated \$20 million in humanitarian assistance, although he was concerned about the existing humanitarian corridors. He said Cyprus was too far away, causing delays in the provision of needed supplies, and recommended a corridor through Syria with the GOL checking supplies. Counselor Zelikow welcomed Kuwait's humanitarian support to Lebanon and advised the Amir that for security reasons, using Syria was problematic.

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¶13. (S/NF) In response to the FM's question, during the side meeting Counselor Zelikow ran through expectations and agenda for the Rome meeting on Lebanon. He summarized the outcome that most parties wanted to see as "saving Lebanon while defeating Hizballah." Shaykh Dr. Mohammed said that the current crisis in Lebanon was expediting the inevitable -- a showdown between the legitimate government of Lebanon and Hizballah. He said he was not optimistic about the outcome. Lebanon was going to go through real turmoil. Hizballah was deeply entrenched with a constituency not limited to Shi'a in the south. The Foreign Minister concluded with the observation that it was a daunting task for Lebanon to organize itself in the face of Hizballah and allow legitimate authority to emerge on top.

Support Abu Mazen

¶14. (C/NF) The Amir further noted his disappointment with developments in Palestinian areas. He stated that Abu Mazen is ready to negotiate with Israel, but was prevented from doing so. He urged the U.S. to support Abu Mazen, suggesting that a high-level visit could be a "confidence-booster."

Meeting Participants

¶15. (U) U.S. Delegation:

-- Robert Kimmitt, Deputy Secretary of Treasury
-- Philip Zelikow, Counselor of the State Department
-- Rear Admiral Robert Moeller, CENTCOM
-- Evangelia Bouzis, NSC Director for Iraq
-- J. Alexander Monsarrat, State Department
-- Vickie Alvo, Department of Treasury
-- CDA Matthew H. Tueller, Embassy Kuwait
-- Natalie E. Brown, Embassy Kuwait (notetaker)
-- Steve Conlon, Embassy Kuwait (notetaker)

¶16. (U) While in Kuwait, the delegation, in three separate meetings, met:

-- Kuwaiti Amir Shaykh Sabah Al-Ahmed Al-Jaber Al-Sabah
-- Deputy Prime Minister and Foreign Minister Shakyh Dr. Mohammed Al-Sabah Al-Salem Al-Sabah
-- Finance Minister Bader Al-Humaidhi
-- Shaykh Nasser Sabah Al-Ahmed Al-Sabah, Minister of Amiri Diwan Affairs
-- Fawzi Al-Hunaif, Director of Operations, Kuwait Fund for Arab Economic Development

¶17. (U) This cable was cleared by DepSec Kimmitt and Counselor Zelikow.

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